

CEPS COMMENTARY

*Thinking ahead for Europe*

The Rocky Road to an EU-Armenia Agreement: From U-turn to detour

Hrant Kostanyan

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The EU was taken by surprise when the President of Armenia, Serzh Sargsyan, stood by his Russian counterpart and announced Armenia's plans to join the Russian-led Customs Union on 3 September 2013. After all, before this announcement Armenia and the EU had successfully concluded negotiations on their Association Agreement.

Armenia is still suffering the consequences of the Kremlin's coercion to reject this Association Agreement, which included a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU. Indeed, as Armenians around the world commemorate the centenary of the Armenian Genocide by Ottoman Turkey, the Republic of Armenia is facing mounting challenges. The country remains subject to an economic blockade by Turkey and is in conflict with Azerbaijan.

Whereas the EU has an ample toolbox of instruments within the framework of its European Neighbourhood Policy (ENP) and Eastern Partnership, the Association Agreement was the centrepiece of the EU's offer to Armenia and was supposed to guide EU-Armenian relations for the decade ahead. Following the Armenian president's astonishing volte-face, these relations have entered political deadlock. Almost a year and a half on, the EU and Armenia are still in the process of reworking the failed agreement.

Since the future of any new agreement is uncertain, negotiations should be accompanied by a pragmatic EU-Armenia roadmap. This roadmap, alongside the start of the visa liberalisation process and Armenia's signing up to the European Common Aviation Agreement and Horizon 2020, could become a deliverable at the Riga Summit on 26-27 April 2015.

Problems of reworking

Armenia's susceptibility to coercion from the Kremlin can be explained by four interrelated factors. First, Russia is both security guarantor (through military cooperation with Armenia) and insecurity provider (through multi-billion dollar arms sales deals with Azerbaijan) to Armenia. Second, Armenia largely depends on Russia for energy supply. Third, the

Hrant Kostanyan is an Associate Research Fellow at CEPS and a Special Research Fund Fellow at the Centre of EU Studies at Ghent University.

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remittances from Armenian migrant workers in Russia make up 9.1 % Armenia's GDP.¹ Fourth, through its leverage it is thought that the Kremlin could endanger both the political and economic future of Armenia's current ruling elite.

Ever since the Armenian president abandoned the Association Agreement under duress, the EU has adopted a rather negative stance towards Armenia; understandably, given that it invested considerable resources in negotiating the Association Agreement. The coolness on the part of the EU was not only the result of the decision itself but also the way in which it was taken. There was no marked opposition to this move from the Armenian government, most other political parties or society. Following the announcement by Sargsyan, the government suggested that it was still prepared to sign the political chapters of the Association Agreement. The EU clearly rejected such an option as it viewed the agreement as one whole and was not ready to unpick it or deflate its value.

After a period of strategic silence the EU has now offered the Armenian government the possibility of reworking the Association Agreement into a new, less ambitious agreement to take into account Armenia's commitment to the Eurasian Economic Union, which Armenia joined on 2 January 2015. The overall formula of this new agreement is rather simple: the Association Agreement minus Armenia's commitments vis-à-vis the Eurasian Economic Union. The new agreement could therefore include, almost unchanged, the political dialogue and the justice, freedom and security titles, as well as the most of the sectoral chapters (besides energy, consumer policy, taxation, information society and audio-visual policy) of the Association Agreement. Even parts of the trade titles can be included, (except customs, services, sanitary and phytosanitary measures (SPS), and intellectual property rights (IPR)) that are not 'communitarised' in the Eurasian Economic Union.

Putting in place a new agreement began with a so-called 'scoping exercise' to identify the areas that could be included. In the next stage, the EEAS and the Commission will ask the Council for a negotiation mandate, after which the agreement can be negotiated. Because the agreement covers mixed competences, EU member states closely monitor the process of negotiations and they will have to ratify the agreement in their national parliaments along with ratification at the EU level.

The first stage of this new process, namely the scoping exercise that started in October 2014, has already proved slow and frustrating. Despite tentative progress at the Cooperation Committee and the Cooperation Council between Armenia and the EU, the Armenian side has been passive and even showed up to some meetings completely unprepared (e.g. on 3-5 November 2014). This inexplicable lack of action has strengthened the hard-line voices in the EU institutions and among member states that advocate a harsher stance towards the Armenian president's U-turn. EU institutional logic is clear: it is now up to Armenia to come forward with proposals. Moreover, as the scoping exercise has to take into account Armenia's commitments to the Eurasian Economic Union, the Armenian government – not the EU – is best placed to take the initiative.

Yet two factors have halted progress. By joining the Eurasian Economic Union Armenia received about 800 temporary exemptions for the next five years. The Eurasian Economic Union itself is far from having clear competences, however. In the words of one EU official: "Armenians do not know what they signed up to". Second, the geopolitical climate remains volatile. In its consultations with the EU the Armenian government is still careful not to incite the Kremlin's ire that caused it to abandon the Association Agreement in the first

¹ World Bank, Migration & Remittances Data (<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html#Remittances>).

place. Anti-Russian sentiments are on the rise in Armenia, however, especially in view of the Kremlin's pressure on Armenia to abandon the Association Agreement and the recent massacre of an Armenian family by a Russian soldier on 12 January 2015. In sum, the independent variables behind Sargsyan's September 3rd decision remain in place today, so the outcome for the new – even if less ambitious – agreement might also be disappointing.

Looking ahead: In need of a plan b

Having an updated bilateral agreement is indeed important for EU-Armenia relations. In theory, one year and three months (over three plenary sessions) should be enough to conclude the new agreement. The mandate could be given to the institutions at the Riga Summit on 26-27 April 2015. Most of the issues are already settled and could be transposed into the new agreement virtually unchanged. However, given the new agreement's uncertain outcome in practice, the EU and Armenia need to accompany it with an overarching framework of bilateral cooperation. A tailor-made, more flexible and pragmatic EU-Armenia roadmap could be this second track, cutting across sectors and with the aim of achieving the highest possible level of cooperation.

A roadmap could add substance to the relationship while Brussels and Yerevan continue to discuss the new agreement. More specifically, in addition to the above-mentioned areas, it could include mobility, the environment, mining, transport, science, enterprise policy, tourism, agriculture, social policy, education, youth, culture and sport, public health, cross-border cooperation and confidence-building measures. Trade cooperation may be too vague to be activated until there is more certainty concerning the Eurasian Economic Union. Various issues, notably trade-related matters, could also be addressed trilaterally between the EU, Armenia and Russia. A roadmap would be easier for Russia to swallow than a fully-fledged agreement.

Armenia's civil society had very little input into the negotiations of the Association Agreement between the government of Armenia and the EU, and their input has not been sought for the scoping exercise of the new agreement either. Unlike the negotiations on an intergovernmental treaty, the roadmap allows for greater inclusion of civil society, the pressure on which has increased since the President Sargsyan abandoned the Association Agreement.² None of the violent attacks on civil society activists in the last year have been resolved judicially³ and the EU is expected to stress this backsliding of human rights in its upcoming ENP progress report at the end of March 2015. This will also have financial consequences: Armenia will in all likelihood receive less assistance from the EU for less progress.

A greater involvement of civil society is indispensable if the EU's support for democratic transition in Armenia is to be effective. And if there is one lesson to be learned from the recent history of EU-Armenia relations, it is that national governments alone are not always the most reliable partners.

² Human Rights Watch, World Report Armenia 2015 (www.hrw.org/world-report/2015/country-chapters/armenia?page=2).

³Narine Ghalechian, "Another activist attacked in Yerevan", 22 December 2014, RFE (www.azatutyun.am/content/article/26757309.html).